

Executive Summary

PROPOSAL

On March 4, 2003, Power Ventures Group, LLC (PVG), a special purpose company owned by Burns & McDonnell Engineering Company Inc., applied to the Public Service Commission of Wisconsin (Commission) for a Certificate of Public Convenience and Necessity (CPCN) under Wis. Stat. § 196.491(3) and Wis. Admin. Code ch. PSC 111, to construct and operate a large electric power generating facility. The application is for a 530 megawatt (MW) power plant fueled by natural gas. The proposed project would consist of three 177 MW, General Electric Model 7FA, simple-cycle combustion turbine generator units. Only 354 MW (two turbines) would be installed initially. On April 3, 2003, the Commission determined PVG's application to be incomplete pursuant to Wis. Stat. § 196.49(3)(2)(a). On November 12, 2003, PVG filed supplements to their application and thereafter provided additional missing information to its supplemental filings. On December 11, 2003, after review by Commission and the Department of Natural Resources (DNR) staff, the application was determined to be complete.

PVG is classified as an "Exempt Wholesale Generator" under the Federal Public Utility Holding Company Act. As originally proposed, PVG would sell electric power generated by the plant at market-based rates to investor-owned utilities, municipal utilities, cooperative utilities, power marketers, and other purchasers for resale in Wisconsin and throughout the Midwest region. The development of this project as a wholesale merchant plant would not be dependent on any pre-existing power purchase arrangements with public utilities. As defined in Wis. Stat. § 196.491(1)(w), a wholesale merchant plant is a power plant that may sell power at wholesale to utilities but does not provide retail electric service and is not owned by a public utility.

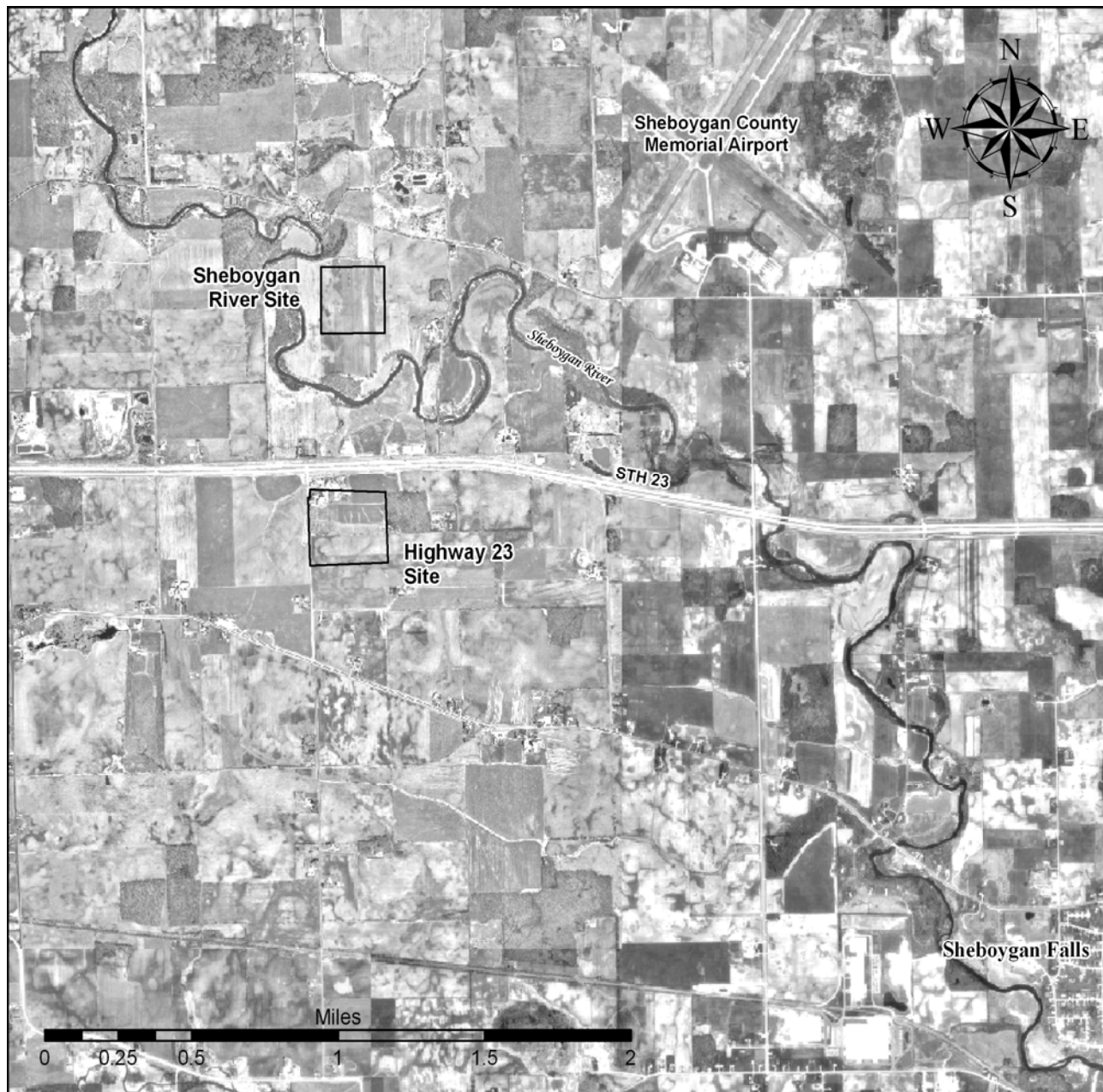
This project, however, may not be operated as a merchant plant. PVG is presently negotiating to sell the proposed project to Alliant Energy Generation (AEG). AEG would own the power plant but would then lease the project to Wisconsin Power & Light (WP&L) who would operate the power plant. WP&L is affiliated with AEG and is a Wisconsin utility. If this arrangement is finalized, the Commission, for the purpose of protecting ratepayer interests, would open a proceeding to review and approve, disapprove, or modify the arrangements between AEG and WP&L. Any new owner of an approved power plant would be bound by the terms and conditions of the Commission's CPCN order.

PROJECT LOCATION

PVG has proposed that the power plant be located on one of two sites in Sheboygan Falls Township: the Highway 23 Site or the Sheboygan River Site (see Figure ES-1). The Highway 23 Site is

approximately 40 acres in size and is located on the south side of Highway 23 and east of Bridgewood Road. The Sheboygan River Site is approximately 30 acres in size and is located about 700 feet south of County Road O and 1,200 feet west of Alpine Road. This site is bordered on the west and northwest by the Sheboygan River.

Figure ES-1 General location map



PROJECT DESCRIPTION

As proposed by PVG, either site could be approved for a maximum of three 177 MW gas-fired combustion turbines. Initially, PVG would install two turbines. If market conditions warrant, the owner may install a third 177 MW gas-fired turbine. There would be three exhaust stacks; each would

be about 75 feet in height. This peaking unit would be designed to operate on natural gas, which would be supplied through an existing natural gas pipeline owned by ANR Pipeline Company (ANR). There would be no alternate fuel. If the Highway 23 Site is selected, a new natural gas pipeline about 1,650 feet in length would be constructed (see Figure ES-2). The existing ANR transmission pipeline runs through the Sheboygan River Site. If that site is selected, no new natural gas pipelines would be needed outside the boundaries of the site.

Existing 345-138 kilovolt (kV) electric transmission lines are located along the eastern side of both sites (see Figure ES-2). Transmission facilities needed at both sites include an electrical switchyard and interconnection to the adjacent 345 kV transmission line. Transmission construction would take place either within the existing transmission right-of-way (ROW) or inside the plant construction site. No new transmission ROW would be needed. The transmission facilities would be owned and operated by the American Transmission Company (ATC). If this project is approved, the ATC will apply to the Commission for authority to build and operate the required transmission facilities.

ENVIRONMENTAL ISSUES

Air quality

PVG has applied for an air pollution control permit for the Highway 23 Site only. However, the two sites proposed in this case are close enough geographically that the air modeling conclusions drawn for the Highway 23 Site would also be applicable to the Sheboygan River Site. The modeling predicts that construction at either site would not exceed air quality standards in the area, subject to limitations that are detailed in the draft DNR air permit. The facility would not be a major source of hazardous air pollutants under Wis. Admin. Code Ch. NR 407. Because the hours of operation would be limited to a maximum of 1,795 hours per year, the proposed facility would qualify as a synthetic minor source under the current applicable classification, and would not require a Prevention of Significant Deterioration (PSD) Permit.

The U.S. EPA has proposed to designate Sheboygan County as a moderate non-attainment area for the 8-hour ozone standard. This would affect new or modified facilities in Sheboygan County classified as major sources of ozone precursors that receive air permits after the effective date of this designation. For a moderate ozone nonattainment area, this applies to emission sources of 100 t/yr. or greater of VOCs or NO_x, which would include this facility. If the air permit for this facility is issued after the effective date of the nonattainment designation for Sheboygan County, the facility would need to meet Lowest Achievable Emission Rate (LAER) emission limits and obtain offsets for NO_x and VOC; or be subject to air permit conditions which would make the facility a minor source of VOCs and NO_x (see Air Quality in Chapter 3). At present, the effective date for the designation change is expected to be June 15, 2004.

Water

At either site, PVG is proposing to drill two high-capacity wells to supply water to the facility. Only one well would be used at a time with the second well being reserved as a backup. The operation of the wells would be alternated to keep each well in working condition. The wells would be between 500 and 600 feet deep. Water use at the facility would be limited. The plant would use water at a rate of about 61 gallons per minute (gpm) during peak load. The total annual water usage for the plant is estimated at approximately 7,567,200 gallons. Based on a review of available data, the projected water use at the

proposed facility would not significantly affect the nearest municipal wells. In addition, projections of potential impacts to nearby residential wells suggest that negative impacts are unlikely. However, this conclusion is tentative at this time. PVG has constructed a test well at the Highway 23 site to test the potential for impacts to local groundwater supplies. On March 9, 2004, PVG conducted a 27-hour pump test, pumping water at a rate of 188 gallons per minute. A preliminary review of the results indicate that there were no impacts to area wells during the pumping test. PVG is willing to repair or replace any damage it causes to domestic wells within one-half mile of the project.

A Wisconsin Pollutant Discharge Elimination System (WPDES) discharge permit will be needed for the wastewater produced by various plant processes.

Storm water runoff at either site would be controlled by a system of ditches and a water detention pond that would be installed at either site. The detention pond would allow sediment to settle before the water is discharged to nearby drainage ways. DNR review of the construction storm water system has determined that the applicant's storm water pollution prevention plans are adequate and that discharge from the plant would not negatively impact surface waters of the state.

Vegetation, wildlife and endangered and threatened species

There are no known occurrences of endangered, threatened, or special concern animals or plants on either project site. Because the land has been under cultivation for a long period, loss of wildlife habitat is not an issue.

Wetlands

No wetlands are located on either project site.

Agriculture

Both the Highway 23 and the Sheboygan River Sites are on agricultural properties. The project would take about 30 acres of agricultural land out of production. This impact is not considered significant.

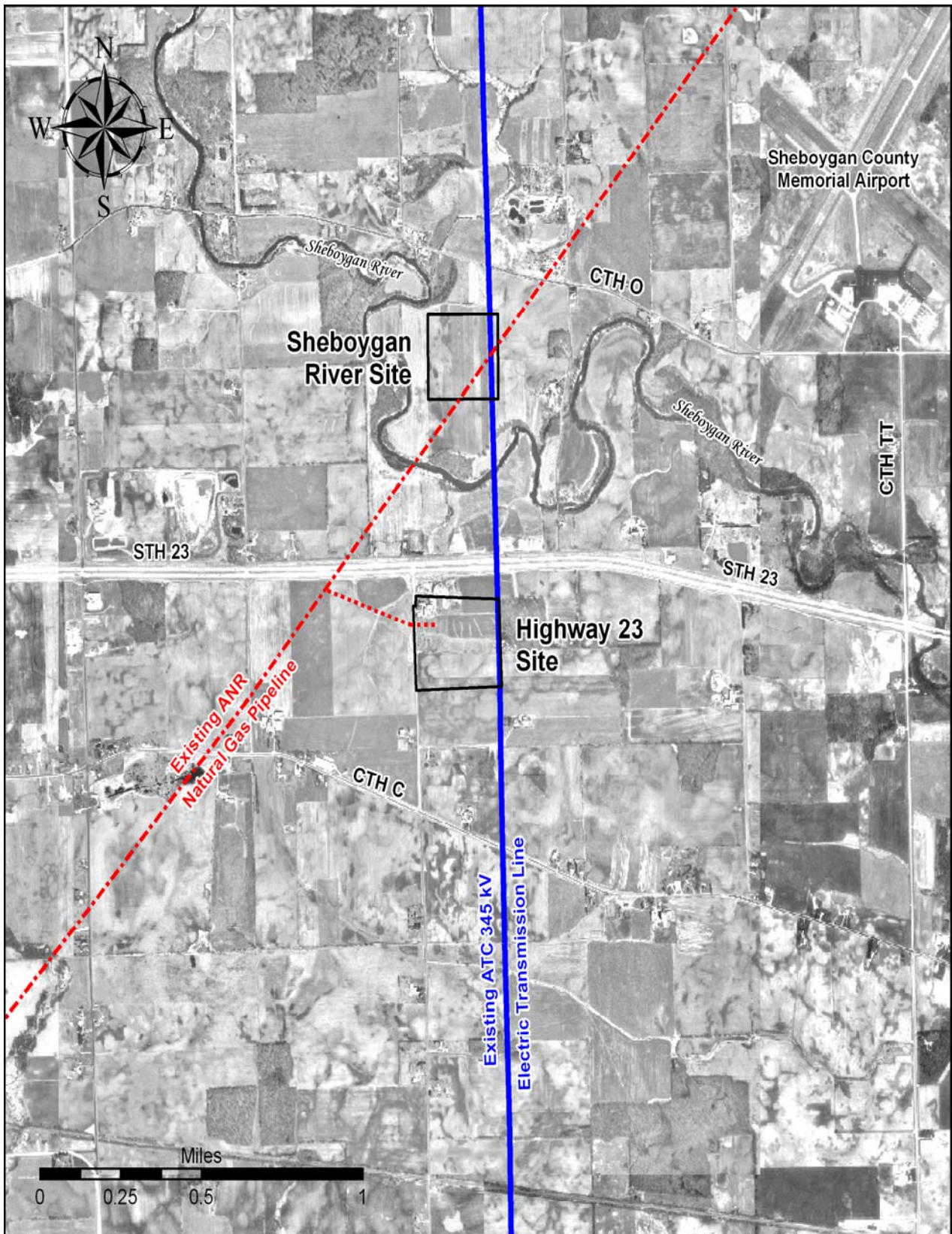
Special construction issues

Significant special construction issues have not emerged for either site. The Sheboygan River Site is very close to the Sheboygan River. This would require diligent implementation of the approved stormwater management plans during construction and operation to ensure that they are appropriately applied, and are adequate to protect surface water quality.

Land use

Use of the Highway 23 Site appears to be more consistent with local land use plans than the Sheboygan River Site. Recent zoning changes have zoned the Highway 23 Site for industrial development. In addition, existing commercial developments along Highway 23 make this site a better fit, in terms of existing land use, for industrial development. The Sheboygan River Site is adjacent to a riverine environment and is zoned for agricultural uses.

Figure ES-2 Project summary map



LOCAL COMMUNITY SERVICES

Fire and Safety

The proposed facility is expected to be self-sufficient. The need for emergency services after construction would be minimal. An automated fire suppression and protection system would be installed for use during plant operations. Fire suppression water would be supplied by the on-site wells and by a 500,000 gallon storage tank at the site. The project is not expected to have an adverse impact on local emergency services budgets or function.

Airport

The Wisconsin Department of Transportation Bureau of Aeronautics has determined that neither site would affect aircraft safety with respect to aircraft arriving or departing from the Sheboygan County Memorial Airport.

Roads

Heavy equipment and delivery of materials including the turbines would be limited to the construction period. Road damage is not expected as a result of the project. However, should damage to roads occur because of construction traffic, the applicant has agreed to repair damaged roads and return them to their original condition. Construction traffic is not expected to be severe. Operational traffic would be limited to a small number of vehicles each day.

Noise

Projected increases in ambient noise levels near the proposed plant are expected to be small for both sites. These slight increases would occur during the periods when the plant is running. Increases to ambient noise levels at both sites are expected to be in the range of 0 and 4 Decibels A-weighted (dBA). Increases in this range should be barely noticeable.

Visual impact

Regardless of the site chosen, the new plant would be a new feature in the local visual landscape and would be visible from local roads. The plant would be visible from Highway 23 for the Highway 23 Site and from County O and Alpine Road for the Sheboygan River Site. Three 75-foot tall exhaust stacks would be the tallest features on the site. Both plants would be easily visible from nearby residences. Construction of sight screening berms and plantings of trees and shrubs around the perimeter of the facility could soften the visual impact.

Historic properties

A review of state historical and archeological databases has discovered no known occurrences of historic resources on or near either site.

Shared revenue

Payments by the state to the county and township would be approximately \$708,000 per year. Approximately \$467,280 per year would go to Sheboygan County and approximately \$240,720 per year

would be paid to the town of Sheboygan Falls. Payments from the state would begin the year after the plant begins operation and continue until the plant closes.

Connecting facilities

For the Highway 23 Site, connecting facilities include 1,650 feet of new natural gas pipeline. For the Sheboygan River Site, no new pipeline connections would be required outside the site boundary. An electrical switchyard and interconnections to an existing 345 kV transmission line would be required for both sites. No new transmission ROW would be required at either site.

Commission decisions

The Commission, in reviewing PVG's application for a CPCN, will decide, among other items, whether to approve construction of the plant, and where it is to be constructed the plant. If approved, the Commission would also determine whether to impose any conditions on the construction of these facilities.